

DEBT-TO-INCOME RATIO



A useful tool in determining your financial stress level. Do the math and consider where you are before taking on further debt.

- 1. Net Income** (Gross monthly pay minus taxes only; i.e., federal taxes, state taxes, and Social Security.)

1. _____
Total

- 2. Installment Credit** (Include charge accounts, car payments, advance pay, overpay, etc. Do not include rent, mortgage, utilities, or insurance payments.)

<i>Creditor</i>	<i>Monthly Payment</i>
A. _____	\$ _____
B. _____	\$ _____
C. _____	\$ _____
D. _____	\$ _____
E. _____	\$ _____
F. _____	\$ _____
G. _____	\$ _____
H. _____	\$ _____

2. _____
Total

- 3. Divide line 2 by line 1, multiply by 100**

(2) _____ ÷ (1) _____ x 100 = _____ %
Total

Percent

Status

Less than 15%

Some additional credit may be used with caution.*

15% - 20%

Fully extended.

21% - 30%

Overextended.

Greater than 30%

Seriously overextended. Seek help!

* Will the additional monthly payment put you over 20%? Large families may have a difficult time with 16% or more.

CHOOSING CREDIT CARDS



How to Find the Right Card:

1. The Federal Reserve has informative publications at FTC.gov
2. Websites that list the best credit and credit card deals, educational information and calculators.
www.bankrate.com
www.cardweb.com
3. *Money* and *Kiplingers* magazines frequently post a list of the best credit card deals for those who carry a balance or pay in full.

Questions to Ask:

- Is there an introductory rate, what is it and how long does it last?
- After that, what will my rate be?
- Is there an application fee?
- Are there processing fees?
- Is there an annual fee?
- Is there a late fee?
- Is there an over the limit fee?
- Are there any other fees, like account termination fees or balance transfer fees?
- When and how can a variable rate be changed?
- When and how can a fixed rate be changed?
- What is the grace period before interest is applied?
- How will you inform me of any changes in my contract?
- Will the company inform me if I am about to go over my limit?
- If I go over my limit, what happens?
- What is company policy if I have trouble paying my bill?

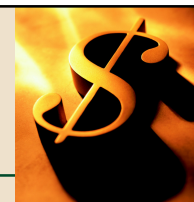
The Right Card for You:

- Carrying a balance: Look for a card with a low annual percentage rate (APR).
- Paying off balances monthly: Look for a card with no annual fee. Check for a grace period during which no interest is charged on outstanding balances.
- Poor or no credit history: Secured cards are available. Customers post a security deposit equal to the credit limit of the card. Beware of high interest charges.

How to Manage Credit:

- Commit to a plan to pay off or reduce your credit card debt by using a power payment schedule.
- Call the card company and request that they lower your interest rate and eliminate your fees. It costs nothing to ask.
- Check the fine print on the credit application. Are you getting a fixed annual percentage rate or is it a temporary teaser rate that will increase frequently?
- Always pay more than the minimum amount due.
- If you carry a balance, beware of cards that offer a rebate, frequent flier miles, and other perks. They usually carry high interest rates and fees that can cancel their benefits.

CREDIT REPORTS



Check your credit report at least once a year for errors and negative information that could prevent you from obtaining a security clearance or mortgage.

Credit Reporting Agencies:

- Experian (formerly TRW)
(888) 397-3742
www.experian.com
- TransUnion
(800) 888-4213
www.transunion.com
- Equifax
(800) 685-1111
www.equifax.com

Credit reports from Equifax, Experian, and TransUnion usually cost \$9.00 each but varies by state of residence. If you have been denied credit, you have the right to a free copy of your credit report from the system used by the merchant.

How to Request a Copy of Your Credit Report:

For a free report, you must request it within 60 days of the denial. Include a copy of the denial letter. The denial letter will tell you which credit bureau the creditor used and the reason you were denied credit.

For a routine credit report, requests must have your signature, a check or money order attached, and the following information:

- Full name and/or maiden name (please print)
- Name of spouse
- Current address

- Addresses with zip codes for the previous five years
- Daytime phone number
- Date of birth
- Social Security number
- Some verification of address (an old bill with your name and address, copy of a driver's license, etc.)
- Your employer

A request for a joint report must include signature and information for both persons. Cost of the report may be doubled for a joint report.

How to Correct an Error on Your Credit Report:

Obtain a copy of your credit report. Review all items. Write a letter to the credit reporting agency indicating each inaccurate entry. Be certain to date, sign, and send a certified letter with return receipt requested. Keep a copy of all correspondence. Send a copy of the complaint to the store or bank that denied the credit or made the error.

Credit reporting agencies give creditors 30 days to resolve mistakes. If the creditor fails to respond within this time, the item must be removed from your file.

You should receive a copy of your updated report within 60-90 days. Note the changes.

If all items have not been corrected, send a second letter to the agency via certified mail, return receipt requested. If you have late or nonpayment problems due to job layoffs, illness, divorce, death of spouse, poor

services, fraud, or damaged merchandise, you may add a 100-word explanation to your file. Items will be deleted only if they are incorrect, untrue, or outdated, or if the creditor fails to respond to the dispute.

Items can be corrected free of charge without the assistance of a credit repair company.

How to Get Your Name Off Credit Grantor Mailing Lists:

Credit grantors receive lists of names from credit bureaus in order to prescreen your report and make promotional offers. To be excluded from these lists, call the credit bureaus or **1-888-5 OPT OUT**.

This request will be good for one year only.

How to Add a Fraud Alert:

A fraud alert will aid in the prevention of further fraudulent activity and remove your name and address from prescreened offers for credit and insurance for two years. You can contact any one of the three nationwide credit reporting companies at the toll-free numbers listed here and they will notify the other two companies. There is no need for you to notify all three. Simply answer the questions presented and follow the phone prompts.

Equifax – 800-525-6285

Experian – 888-397-3742

TransUnion – 800-680-7289

Use this worksheet to create your personal power payment plan. Follow these steps, using the example given below as a guideline:

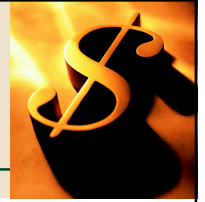
- D. After the first bill is paid, shift the amount of that payment onto the next largest bill to create another power payment.
- E. As you decrease the balances on your bills, your creditors will usually reduce the minimum amount due. Ignore the reductions. Keep your payments at the same amount or your pay-off date will be delayed and you'll end up paying more interest.
- F. When all power payments are completed, simply make the same payments into a savings account and watch your money grow!

1. Mary was able to find an extra \$10 in her budget to make a power payment of \$50 on her \$40 minimum monthly Visa bill, the smallest of her debts.
2. When Visa was paid off, she shifted the \$50 onto her \$25 month Sears bill for a \$75 power payment.
3. When Sears was paid off, she shifted the \$75 onto her \$65 per month bank loan, the largest of her debts, for a \$140 power payment.
4. Since the bank loan was the last of her debts, Mary began to put the \$140 into savings every month and was pleased at how quickly her money grew by earning interest rather than having to pay interest.

(This does not reflect interest paid.)

[illegible]

YOUR POWER PAYMENT PLAN



Due 1st Half of the Month			Payment Per Month											
Creditor	Priority	Balance												
	1													
	2													
	3													
	4													
	5													

Due 2nd Half of the Month			Payment Per Month											
Creditor	Priority	Balance												
	1													
	2													
	3													
	4													
	5													

SAVINGS														
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Remember:

- Pay at least the minimum monthly payment for the bills you aren't power paying.
- The way you prioritize your bills to power pay is up to you (i.e. smallest, largest, highest interest rate, etc.).
- When all debts have been paid shift previous monthly payment amounts into savings.